

GERMANY
(PRE-44R)

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PRE-WAR GERMANY - MERCHANT SHIPPING

Note: The study on Railway Transportation includes data of a general nature which applies in part to merchant shipping.

A. POLICIES

1. In summary, the German mercantile marine was a forthright manifestation of post-war economic nationalism. The Treaty of Versailles had deprived Germany of nearly all of her ocean shipping, although the short-sea and coastwise trading companies were not affected. As early as 1917, the German Parliament was formulating plans for the post-war extension of shipbuilding. During the three years following the war, grants in subsidy amounting to 30 billion marks were made. Early in 1935 the Government provided a loan fund, granting loans up to 50% of the vessel's cost, and for the next 6 years construction was aided by a fixed annual sum. In the world economic depression of the 30's, the Government provided loans to assist in the scrapping of vessels, and guaranteed the obligations of the shipping companies. In this way, the Government became the principal shareholder in the two leading companies, the Hamburg-Amerika and the Norddeutscher Lloyd lines, which between them controlled 70% of German ocean traffic.

The Nazis transferred Government shares in the shipping companies back to private ownership, and a decree of February 1935 gave the individual companies within the Hapag and Norddeutscher Lloyd "complex" opportunity for independent action. At the same time, party control was maintained by the packing of the board of directors of both companies with favorites. The Norda concern, formed by the Hamburg-Amerika and Norddeutscher Lloyd, for the North Atlantic service, was given special assistance. The result of Nazi measures was a well-balanced mercantile marine, which served the peacetime needs of foreign commerce, and at the same time provided the navy with sufficient auxiliary vessels. The reduction of unemployment within the shipbuilding and subsidiary industries, and the construction of vessels suitable for conversion to naval purposes were probable the secondary aims of German shipping policy.

3. Germany has always violently denied the legitimacy of the subsidizing of ocean shipping, while at the same time granting subsidies surreptitiously. Immediately after the war, a group of shipping banks, with strong Reich participation, was formed to extend credit to shipping lines and shipbuilders. One third of the tonnage lost during the war was replaced by a grant of 30 billion paper RM in two installments, one of 12 billions and one of 18 billions, advanced against the assets of the individual shipping companies. A loan fund of 50 million RM was established in 1925. Subsequent direct financial assistance up to 1932 consisted of a loan of 18,000,000 marks in 1926 to finance the construction of six tankers; an export credit scheme in 1930 for the building of ships for foreign account; a Government guarantee in 1932 of a loan of 20,000,000 marks to German shipowners; a further guaranteed loan in 1932 of 77,000,000 marks, of which 7 million went to tramp companies; a grant in 1932 of 12,000,000 marks in

RESTRICTED

RESTRICTED

PRE-WAR GERMANY - MERCHANT SHIPPING (A-3 CONT'D)

loans to subsidize the scrapping of some 400,000 tons of obsolete German vessels--about 10 per cent of the total German mercantile marine--one of the objects being the relief of unemployment.

In 1933 loans of up to 45,000,000 marks were authorized for assistance to shipping, and these were followed in the same year by further grants of 20,000,000 marks, the grants to be repaid if possible. At the end of 1933 grants were authorized towards the cost of repair and overhaul of seagoing ships from a subsidy fund of 500,000,000 marks originally provided as an unemployment relief measure in connection with housing. In 1934 this scheme was extended to apply to the construction of new vessels, which were not to be sold for the first ten years without the permission of the Government.

When England, the US, and the Scandinavian states left the gold standard, the shippers were given a "currency equalization" subsidy: 3 reichspfennig for each gross ton in operation daily, and 20% of crew and personnel salaries, roughly equivalent (in the aggregate) to 20% of the operating costs of a 6,000 ton vessel. Because costs for new construction were 35% higher in German than in foreign yards, construction grants, outright and unconditional subsidies, were given the shipbuilding industry.

During the world trade slump of the early 30's, the Government had subscribed capital, and thus became one of the principal shareholders in the two main shipping lines. The existence of other subsidies can be taken for granted, but their extent and the bases of their administration have not yet been revealed. The Nazis nominally returned administration to the companies, in 1937. At the same time, the career of Philip Reetsma, Göring's favorite, in the Hamburg-Amerika line, indicates that the Government retained its influence.

4. In 1939, the total seaborne cargo carried in or out of German ports was 56,695,000 metric tons, of which it is estimated that 70% was transported in German bottoms.
5. Germany belonged to the Baltic and International Association of Navigation Congresses, the International Shipping Conference and the International Shipping Federation.
6. These questions are irrelevant here, since Deutsche Lufthansa, the only German civil air carrier, was a state owned, state controlled, and state subsidized monopoly. Similarly, the German shipping lines, for the larger part of the period between the wars, were government owned, and they were always dependent on Government subsidies. There was no question of coordination or regulation: both means of transport were directed from the top in the same aggressive campaign for foreign trade.
7. The shipping lines had early manifested their interest in aviation: Hamburg-America by the incorporation of the Luftschiffbau Zeppelin in 1918, Norddeutscher Lloyd by the erection of Lloyd Luftdienst in 1920. Hapag and Norddeutscher Lloyd air interests were amalgamated into Deutscher Aero Lloyd in 1923. When Deutsche Lufthansa

RESTRICTED

PRE-WAR GERMANY - MERCHANT SHIPPING (A-7 CONT'D)

was formed in 1926, therefore, Hapag and Norddeutscher Lloyd each had interests amounting to 6,875 million RM of its 25 million RM capitalization. In the 25 million RM expansion of Deutsche Lufthansa capital in 1942, the Hapag and Norddeutscher Lloyd combine, the Deutscher Aero Lloyd, took up another 6 million RM. Since Deutsche Lufthansa was usually on a 50% subsidy basis, and the excess of subsidies over deficit were returned to the subsidy giver, there was no economic ground for a "sea-air" problem.

B. ORGANIZATION

1. Two divisions within the Transport Ministry were concerned with shipping. The Nautical Engineering Division was responsible for the construction of channels required for safety, and the location and maintenance of lighthouses, light ships and buoys. The Central Administrative body for shipping was, however, the Division of Shipping (Schiffahrtsabteilung), charged with the integration of shipping within the national economy.
3. The liaison between the Navy and the merchant marine was maintained by a special office, the Verbindung Schiffahrt-Marine, which also coordinated matters of telecommunications, distress at sea, and ice patrol. Closely related to the Transport Ministry was the national transport group for shipping, the Reichsverkehrsgruppe Seeschiffahrt. This corporative organization, like the others, was designed to resolve internal conflicts to eliminate competition, and to represent the shipping industry before the Minister of Transport in a consultative capacity.
4. (See the study on Railway Transportation for a general discussion of this question.)
5. (See the answer to this question in the study on Railway Transportation.)

C. ADMINISTRATION

2. Liner rates generally were fixed by conferences which, in distant trades, usually included a wide range of territory in their scope. For example, the Continental Far East Conference included the following territory: Norway, Sweden, ports on the Baltic Sea other than Russian ports, Denmark, Germany, Netherlands, Belgium, and French Ports, Dunkirk to St. Nazaire (both inclusive) to the Straits Settlements, Malay Peninsula, Siam, Hong Kong, China (including Manchukuo), Japan (including Taiwan), Dairen, and Chosen. The conferences applied the deferred-rebate system in some trades and the contract system in others. Shipper representation appears to have been informal and without distinctive character. The Government did not exercise any regulatory authority over rates, but was in a position to bring its influence to bear through its controlling interest in the principal shipping companies, the North German Lloyd and the Hamburg-American Line. Without direct bearing on rates, the Government affords assistance to shippers in the form of export subsidies.

RESTRICTED

PRE-WAR GERMANY - MERCHANT SHIPPING (C CONT'D)

4. There were no peculiarities in the German administrative system of safety regulation and inspection which require enumeration here. The only difference from commonly accepted practices lay in the high degree of centralization within the Ministry of Transport.
5. The training schools for merchant seaman and marine engineers were maintained by the various states rather than by the nation. However, the Reich deputies for the Seamen's Schools (Reichsbeauftragte für das seemannische Fachschulwesen) had the power to examine their curricula. Other boards in the Ministry of Transport examined candidates for officers in the merchant marine.

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